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ECONOMY

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Investment Climate

Strategically located at the heart of Southern Africa, Botswana offers unique business opportunities in the mining, textiles and apparel, leather, beef and food processing, jewellery, pharmaceutical, printing and publishing, plastics, packaging, automotive and other key sectors, particularly to export-oriented manufacturers.

Over the last 30 years, Botswana has consistently been one of the world’s best-performing economies. This success can be attributed to high quality mineral, tourism and agricultural resources, modern transport and communications infrastructure and a combination of prudent macroeconomic management, consistent policies, political stability and good governance. With a literacy rate of 85%, Botswana offers investors a literate and trainable workforce.

The Lome, Cotonou, AGOA and other trade agreements ensure that export-oriented businesses operating from Botswana can trade duty and quota free with some of the most lucrative markets in Europe and North America. In Southern Africa, trading is greatly enhanced by Botswana’s membership of the Southern Africa Customs Union (SACU) and SADC, a nearby market of 150 million consumers which includes neighbouring South Africa, Africa’s most sophisticated economy.

Based on its impressive performance, Botswana is highly rated by international organizations on a number of indicators. The Economic Commission for Africa (ECA), in its 2003 Economic Report on Africa, places Botswana ahead of five other African countries that have made most progress in developing policies that promote economic growth, with the aim of reducing poverty. Consistent with the findings of the ECA report entitled ‘Accelerating the Pace of Development’, Botswana continues to focus on achieving growth rates necessary to attain its fundamental development goals.

Botswana has also been rated by Transparency International for three consecutive years as the least corrupt country in Africa, and among the least corrupt in the world. This clearly shows that our Government institutions are efficient, effective and transparent, creating an environment conducive for the smooth operations of the private sector. Highly significant too are the rankings of Standard and Poor and Moody’s Investor Services, which awarded Botswana the highest credit rating in Africa and among the highest in the world.
Botswana acknowledges the important role that foreign direct investment plays in economic development, and encourages international firms to choose the country as the location for foreign direct investment. With no exchange controls, free movement of capital is permitted and companies are able to bring in key expatriate personnel, both managerial and specialist, needed to establish operations in Botswana, provided the requisite skills are not available locally.

The country’s policy of low taxes on dividends and profits, including a 15% cap on corporate tax, and the fact that it has the most stable and strongest currency in Africa, makes Botswana the ideal location for your mining or manufacturing operation. Botswana’s high economic growth rate has resulted in the accumulation of substantial foreign reserves, the development of human resources and very low foreign debt. In addition, Botswana has extensive reserves of diamonds and other minerals and a flourishing cattle industry exporting beef to the world.

One of Botswana’s fundamental guidelines is the policy document “Vision 2016: towards Prosperity for All”, which articulates national aspirations for the country fifty years after independence. The vision clearly illustrates the Government’s commitment to stimulating and supporting business and entrepreneurial activities by facilitating and fostering partnership with the private sector. The objective is sustainable growth and diversification through coordinated efforts and contributions from various sectors of the economy, including manufacturing, agriculture, services and others.

Attracting foreign investment and encouraging joint venture enterprises between local and foreign investors are some of the key issues that will assist in the transfer of skills and ensure that the private sector plays a pivotal role in the development process. To achieve this, a continuous review of the investment climate is imperative to ensure that Botswana fully exploits its potential as an investment location of choice, and attracts a sizeable share of foreign investment flows.

The economy has, by and large, been liberalized by minimizing bureaucratic procedures and processes that impede private investment and enterprise development. The country’s economic policies promote free market enterprise to allow efficient allocation of resources.

**Investment Opportunities**

Botswana is a country rich with business opportunities. A number of sectors have been prioritised by the Botswana government as likely to give competitive advantage to investors.
Jewelry

Join the privileged few and make it in Botswana’s sparkling diamond industry. Botswana is the world’s largest diamond producer by value. Botswana’s production consists of gem quality stones, which provide the single largest source of supply to the global cutting and diamond jewelry industries. For jewelers and cutters, downstream opportunities exist in jewelry production, cutting and polishing of diamonds and semi-precious stones.

Automotive Components

If you are in the automotive industry and not in Botswana, you might just be missing out. Swedish Motor Company Volvo assembles SCANIA trucks and Volvo buses and trucks in Botswana for export to neighbouring countries and opportunities exist to produce components and supply this assembly plant.

The Lome, Cotonou, AGOA and other trade agreements ensure that businesses operating from Botswana can trade duty and quota free with some of the most lucrative markets in Europe and North America. The trade agreements Botswana has with key markets around the world could be just what you need to access the global market.

Leather Goods

As you drive off comfortably in your luxury car remember that parts of it probably originate right here in Africa. Botswana leather ends up in, amongst other countries, the products of the Italian and South African car seat and leather industries.

Botswana also produces some 350 000 cattle hides per annum that are used by furniture manufacturers in Europe and Africa.

Processed Meat

Imagine the South African rugby season without biltong. Unthinkable isn’t it? That’s because Botswana supplies approximately 40 tonnes of beef products every month to South Africa. Botswana also supplies prime beef to the EU generating extensive foreign exchange for the local economy.

As an investor, opportunities await you in downstream beef processing.
**Pharmaceuticals**

Consider this: Botswana spends millions of dollars every year to provide free health care to its citizens, yet the bulk of the drugs and medication used in Botswana’s health care system is imported. Strategically located companies can leverage opportunities in Botswana’s advanced health care system.

Currently, a large part of Botswana’s health care budget is spent on financing medical imports. However, if you think about it, it makes business sense to start manufacturing pharmaceutical products in Botswana, because the country is committed to reducing the amount of pharmaceutical products it imports.

**High End Printing**

If you are in the high-end printing and publishing sector, we suggest you take another look at opportunities in Botswana’s printing and publishing industry. Some of Botswana’s high profile companies are known to do their high-end printing in countries outside Botswana, which means there is an existing need for local facilities.

By way of business incentives, corporate tax is capped at 15% for manufacturers in this category. As an investor in Botswana, you will also enjoy low taxes on dividends and profits and no foreign exchange controls.

With an investment climate this positive, why set up your printing and publishing business anywhere else?

**Textiles and Fabrics**

Botswana has an investment climate cut out for you as a manufacturer of high-end quality apparel.

To start with, Botswana has no foreign exchange controls and offers you free repatriation of profits and dividends. This is ideal for you in the apparel industry as you rely on imported raw materials.

Botswana’s Least Developed Country (LDC) status under the Africa Growth and Opportunity Act (AGOA) allows locally based manufacturers to source raw materials from anywhere in the world including Asia and export to the EU and USA duty free and quota free.
Botswana’s Southern African Customs Union (SACU) membership allows duty free and quota free shipment of apparel to the largest market in the region, South Africa.

**Packaging**

One of Southern Africa’s strongest economies, Botswana, offers investment opportunities for you in the packaging industry including cans and bottles for the brewing, meat and other industries.

Botswana occupies a strategic location in the region with trade agreements, such as SACU, that allow for duty free and quota free movement of goods to Lesotho, Namibia, Swaziland and South Africa. The Trans-Kalahari highway between South Africa and Namibia’s Atlantic coast provides new opportunities for Botswana based producers to access global markets through an alternative and quicker shipment route.

**Plastics**

An opportunity exists for you to invest in one of Africa’s strongest and most stable economies, Botswana. This is a strategic location in Southern Africa with trade agreements such as SACU that allow for duty free and quota free movement of goods to Lesotho, Namibia, Swaziland and South Africa.

Botswana is also centrally located to access SADC’s total market of 150 million consumers. The Trans-Kalahari highway between South Africa and Namibia’s Atlantic coast provides new opportunities for Botswana based producers to access global markets through an alternative and quicker shipment route.

**Mining**

In Botswana, government policy encourages prospecting and new mine development together with further opportunities for linkages to the rest of the economy and to expand into value-added activities.

As a mining prospector, Botswana’s new retention licence policy allows you, upon confirmed discovery of mineral deposits, to retain rights even when prevailing market conditions make immediate exploitation un-economic. Botswana has a well-established mining infrastructure with all the skills and services you need to help you find your fortune.
Facts and Figures

Geographic location

Botswana is centrally located in Southern Africa, sharing borders with Zambia in the north, Namibia in the north and west, Zimbabwe in the north-east and South Africa in the south and south-east.

Size

Botswana is 581 730 square kilometers in area, roughly the size of France or Texas. Botswana extends over 1 100 km from north to south and 960 km from east to west. The capital city is Gaborone, which is in the south-east near the border with South Africa.

Climate

Botswana straddles the Tropic of Capricorn, located in the southern hemisphere. It is within the high-pressure belt in the southern African interior, away from oceanic influences. In consequence, the rainfall is low and the temperatures are high.

The climate is semi-arid to arid. The average daily maximum temperature is 33-40°C in summer, from September to April, and 22-30°C in winter, from May to August. The average minimum temperature is about 19°C in summer and 5°C in winter.

Topography

Most of Botswana is at an average elevation of 1 000 m, with much of the country comprising a vast, and nearly level, sand-filled basin characterised by scrub-covered savannah. Some 85% of the country (including the entire central and south-west regions) is covered by Kalahari (Kgalagadi), a semi-arid expanse of wind-blown sand deposits.

In the northwest the Okavango river flows in from Namibia, soaking into the sands and forming the 15 000 sqkm of convoluted channels and islands comprising the Okovango Delta. In the lower elevations of the northeast are the large salty clay expanses of the Makgadikgadi Pans.

Due to the predominantly semi-arid land, most rivers and streams inside the country are ephemeral with most valleys usually dry, except during the wettest months which are normally January and February. Perennial rivers, including the Chobe and the Okavango, have their source outside the country.
Over half the country supports scrub and tree savannah, with most vegetation subject to long, dry period of low rainfall and poor soil. This is especially the case in the Kalahari where the rangeland supports low-density livestock and wildlife. The best soils are in the south-east and east of the country while the northern Chobe district has relatively high rainfall and sustains belts of indigenous forest and dense bush with some exploitable hardwood resources.

**Population**

The 2011 census showed a population of 1.98 million people. The total growth between 1960 and 2013 was 285 % and the population density is around 3 persons per square kilometer. The urban population, including those in proclaimed towns and urban villages is 54%. Most of the population resides in the south-eastern region of the country as it provides more favourable climatic and soil conditions for arable agricultural production.

**Population Structure**

All indigenous citizens are known as Batswana (single Motswana). The majority of the population are Setswana, of which there are eight recognized sub-groups: Bamangwato, Batawana, Bakgatla, Bakwena, Bangwaketse, Barmalete, Barolong and Batlokwa. In Setswana the names of all indigenous communities (whether Tswana or non-Tswana) have the prefix ‘Ba’ added at the beginning of the word.

The largest non-Tswana community are the Bakalanga of the north-east. Other minority communities include the Baherero (related to Namibia’s Herero community), Bakhalagadi, Bayeyi, Basubiya, Batswapong, Babira, and Basarwa (Bushmen / San).

**Languages**

Languages include Setswana, English and a variety of minority languages. However, English is the official language for education, business and government and is widely spoken by the general population.

**Political System**

Botswana is a multi-party democracy with three arms of Government – the Executive, the Legislature and the Judiciary – which are independent of each other. Elections have been conducted freely and fairly every five years since independence from Britain was attained in 1966. Botswana is considered the most political stable government system in Africa.
Natural resources

The country is rich in natural resources, which include diamonds, copper, nickel, coal, salt, soda ash, gold, granite, cattle, wildlife and outstanding natural attractions. A further diversification aims in growing the Agricultural and Manufacturing sectors.

Currency

One pula (BWP) is made up of 100 thebe. The average exchange rate in 2013 was BWP 11.50 to the EURO. The pula is pegged to a basket of currencies and was devalued by 7.5 percent in 2004.

Time

Two hours ahead of GMT.

Measurements

Metric system.

Public Holidays

January 1, January 2, April 9 (Good Friday), April 10, April 12 (Easter Monday), May 1 (Labour Day), May 20 (Ascension Day), July 1 (Sir Seretse Khama Day), July 21 (President’s Day), July 22, September 30 (Botswana Day), December 25 (Christmas Day), December 26 (Boxing Day).

Economy

Botswana continues to be Africa’s great success story, both in terms of economic growth and the institutionalization of democratic principles. Government commitment to promoting new industries is reflected in the theme of National Development Plan 9 2003/2008 – Towards Realisation of Vision 2016: Sustainable and Diversified Development through Competitiveness in Global Markets – underpinning the importance of the diversification progress. Botswana has enjoyed the benefits of social and political stability and a truly non-racial, multiparty participatory democracy since independence in 1966. The economic success of the country is attributable to the successful exploitation of its mineral resources, especially diamonds, which contribute about a third of Gross Domestic Product (GDP).
The Government uses the mineral revenues to finance the social and physical infrastructure and to improve the standard of living of the people. The current policies focus on increased liberalization of the economy so as to broaden and strengthen the foundation for accelerate diversification with strong private sector development. The diversification strategy is underpinned by an effort to increase productivity through skills development. These achievements can be traced to a combination of sound economic management and a deeply entrenched commitment to consensual government.

The Government will continue to follow prudent fiscal management policies in order to enhance the confidence of the private sector. Concerted effort continues to be made to contain inflationary pressures through sound monetary policies.

Appropriate exchange rate policies are followed in order to influence investment decisions as well as to encourage exports. Industrial infrastructure is being expanded and more competitive conditions are being maintained through liberalization and deregulation.

The main development goal of the government is to negotiate a successful transition from the rapid, but diamond dependent, growth of the recent past to a more sustainable and more diversified pattern of development. An export strategy is being pursued with a focus on expanding non-traditional exports. The government acknowledges that maintaining and increasing productivity through, among other things, the introduction of new technology and organizational improvements is important to enable the country to stay internationally competitive.

**ECONOMIC INDICATORS**

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<td>Inflation (2013)</td>
<td>5.7%</td>
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<tr>
<td>Gross Domestic Product (2012/2013)</td>
<td>US$ 33.37 billion</td>
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<tr>
<td>Per Capital Income (2013)</td>
<td>US$ 14 000</td>
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<tr>
<td>Forex Reserves</td>
<td>US$ 5 billion (26 month’s imports)</td>
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<tr>
<td>Foreign Exchange Rate</td>
<td>US$ 1.0 = P8.65</td>
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INTO SA LIMITED
Botswana ranks among the top nations in the world in the economic freedom table. This is according to the economic freedom of the world index created by the US Fraser institute. It measures how free individuals and businesses are on such criteria as personal choice, competition policies and property rights. Botswana provides more freedom than many advanced industrialized economies including Japan, France and Russia. It ranks only a whisker behind countries such as the US, Britain and Germany. Botswana has had stable, democratic government since it gained independence in 1966 and allows its citizens and businessmen to live and work in the freest environment possible.

Manufacturing

Botswana offers advantages that have attracted investors from countries including South Africa, Taiwan, Portugal, Belgium, China, India, the United Kingdom, Sweden and Mauritius. A broad range of goods is already manufactured for the domestic and export markets.

In its efforts to expand and diversify its manufacturing and other industrial sectors, Botswana knows it faces enormous challenges but also some potentially rewarding opportunities. Although manufacturing and industry currently account for around 5% of GDP and over 10% of formal sector employment, growth has slowed in recent years. This is especially apparent following adverse impacts on the textile and vehicle assembly sub-sectors at the end of 1990s, resulting from economic and financial factors outside Botswana’s control.

A degree of diversification has already taken place, reducing the predominance of meat processing in the industrial sector. The main activities currently comprise food, including meat, and beverage products, certain automobile parts and components, engineering machinery including power tools and compressors, electronic and electrical items, textiles and clothing, leather products, soap and detergents, housing and other construction materials, furniture and shoe-making.

Past development of the textiles and clothing sector was focused on supplying the domestic and regional markets, but Botswana’s entitlement to duty-free access to the US market under the African Growth and Opportunity Act (AGOA) has provided new opportunities for expanding value-adding activities, and a number of companies have already been established to export textiles and apparel directly to the US market.
Botswana-based enterprises are exposed to increased competition for investment resources and market opportunities, and at national level there is a necessity to encourage wider citizen participation in business, including the promotion of small, medium and micro enterprises. Under the new industrial development policy, the emphasis has been switched from the previous strategy of promoting import-substitution to one of supporting the establishment of a substantial core of highly-productive and competitive export-orientated industries, to the extent that this is commercially feasible with regard to local raw and natural resources.

Several factors have acted in the past to inhibit greater development of manufacturing activities, including bureaucratic bottlenecks, a continuing shortage of serviced land in major centers, high rentals and relatively low labour productivity. Remedies proposed include:

- fast-track streamlining of the administrative procedures involved in setting up and running a successful business
- expanding the provision of serviced plots
- continued efforts to improve labour force skills.

Specific assistance with the establishment of manufacturing and industrial enterprises is now provided by two main government organisations, the Botswana Development Corporation (BDC) and Botswana Export Development and Investment Authority (BEDIA). The BDC has the role of providing the principal source for financing commercial and industrial developments in partnership with the private sector, while BEDIA’s main responsibility is to promote foreign direct investment, with special emphasis on promoting export-oriented manufacture and services, together with identifying market outlets for products manufactured in Botswana.

Mining

Overview

Minerals, especially diamonds, have been the mainstay of Botswana’s economy since independence in 1966, helping propel the country’s high rate of economic growth. The sector accounts for the greater part of national foreign exchange earnings and provides the single largest single source of GDP. Mining thus provides the basis for the Botswana economy, giving it a position of stability from which to plan ahead for a more diversified economic future. As other
sectors develop, the contribution of mining will begin to diminish, but there is plenty of life left in this all-important sector for many years to come.

Although mining is the main contributor to national wealth, it still employs relatively few people, providing 7,000 full-time jobs in 2002, which is less than three% of Botswana’s formal employment. Most mines are run by large corporate concerns and there are only limited opportunities for small-scale mining. However, the government is keen to encourage smaller projects as a way of enhancing employment and alleviating poverty in rural areas. Nevertheless, the country lacks the kinds of alluvial or secondary diamond deposits, which in other parts of Africa provide opportunities for small-scale miners.

The existing diamond mines recover stones from kimberlite pipes or primary deposits. Debswana Diamond Company – a 50/50 partnership between the Botswana government and De Beers – undertakes production at four major mines, whose total output has expanded rapidly in recent years, reaching close to 30 million carats in 2003. Botswana has thus moved rapidly into the first league of world diamond producers and geologists see good potential for the discovery of additional deposits. Debswana and BHP Billiton (BHPB) are actively prospecting, along with several small exploration companies from Australia and Canada, as well as a few local firms. With good promise for an established future, the diamond sector looks certain to remain at the pinnacle of Botswana’s economy for many years.

Besides diamonds, Botswana has two copper-nickel mines and a smelter, one coalmine, a soda ash and salt extraction plant, and a number of smaller operations mining industrial minerals and semi-precious stones. Gold mining, which has been intermittent in recent years, is set to resume at a new mine. A large number of other minerals have been identified in various parts of the country, including agates, antimony, asbestos, chromite, feldspar, fluorite, graphite, gypsum, iron, kaolin, kyanite, lead, limestone, manganese, platinum, silver, talc, uranium and zinc. Although their exploitation has so far been prevented by insufficient proven reserves, unfavourable metallurgical properties and remote locations, thick desert sands covering much of the country could be hiding greater riches still.

**Government Policy**

The government’s main overall objective for the minerals sector will continue to be to maximize the economic benefits for the nation while enabling private investors to earn competitive returns. Government policy encourages prospecting and new mine development, and it promotes opportunities for linkages to the rest of the economy to expand value-added activities, especially through downstream processing of minerals, where this is commercially viable.
The Ministry of Minerals, Energy and Water Resources (MMEWR) is responsible for developing and implementing the fiscal, legal and policy framework for mineral exploration, mining and mineral processing. Committed to improving its administrative procedures to promote efficient and transparent practices, MMEWR especially focuses on the administration of licensing mineral concessions. With the aim of making Botswana’s minerals sector more competitive and attractive to investors, an entirely new Mines and Minerals Act became effective at the end of 1999, along with a new mining tax regime. The key policy changes were:

• the abolition of the government’s right to 15% free equity participation in all new mining projects, replaced by an option to acquire up to a 15% shareholding on mutually-agreed commercial terms

• a downward revision of royalty rates payable on the production/export value of all minerals from 5% to 3%, with the exception of precious stones (including diamonds) and precious metals, which remain at ten% and five% respectively

• the introduction of a new variable rate income tax formulae where a specified profitability ratio is greater than 33.3%, otherwise corporate income tax rate of 25% applies, in respect of all mining operations apart from diamonds, the fiscal terms for which will continue to be directly negotiated between the government and the operator

• provision for an immediate 100% capital expenditure write-off in the year an investment is made with an unlimited carry forward of any losses

The grant, renewal and transfer of mineral licences have been simplified, to make the process more predictable and transparent, thereby improving security of tenure for the investor. Restrictions on the transfer of mineral concessions have been liberalized. A new type of mineral concession, the retention licence (RL), allowing an exploration programme and confirmed the discovery of a mineral deposit to retain rights over it for renewable periods, should prevailing market conditions make immediate exploitation of the deposit un-economic, has been introduced.
Diamonds

Botswana is the world’s largest rough diamond producer by volume, along with Australia, and in terms of value is ranked first, ahead of Russia and South Africa, with output worth US$2.2bn as of 2002. While most of Australia’s output consists of industrial diamonds, about 75% of Botswana’s production consists of gem-quality stones, providing the single largest source of supply to the global cutting and diamond jewelry industries. All Debswana’s diamond production is currently sold under exclusive, renewable 5-year sales agreements to de Beers’ London-based marketing arm, the Diamond Trading Company (DTC), for marketing to the global diamond trade.

The rolling out by De Beers of its new ‘Supplier of Choice’ strategy from 2003 is expected to reap benefits for Botswana by strengthening retail demand for diamonds. The problem of illicit trafficking in so-called ‘conflict diamonds’ by rebel groups in African civil wars must not impact adversely on the legitimate diamond trade. Therefore, Botswana has taken an active part in the ‘Kimberley Process’ of diamond industry stakeholders since its inception in 2000.

A certification system for the international trade in rough diamonds was introduced in 2003, under which diamonds have to be accompanied by a Kimberley certificate authenticating their origin and national export/import control systems.

Botswana is fully Kimberley-compliant and began to issue its own certificates in 2003, while the purchase of rough diamonds within the country is controlled through Precious and Semi-Precious Stones (Protection) Act of 1969. Botswana also launched its own ‘Diamonds for Development’ campaign in 2000. It is designed to make opinion-formers aware that the proceeds from the mining and export of diamonds are used transparently as a source of revenue for legitimate national development programmes.

Botswana’s partnership with De Beers was strengthened when the latter privatized in 2001. Debswana participated in the process and now holds an effective 15% stake in the parent company (giving the government 7.5%). This means that in addition to the tax, royalty and dividend payments received from Debswana, the government also receives a share of income from De Beers dividends.

Keeping developments in the global diamond industry under review, the government hopes to ensure that Botswana is best placed to maximize benefits from its diamonds. As part of this process it announced in February 2004 that ‘a strategic review’ would be carried out by diamond sector consultants. This may include evaluating the options for moving up the diamond value chain by downstream and other value-adding activities.
Mining of one of the world’s largest mines – the Orapa kimberlite diamond pipe – commenced in 1971. In 1977 production started at the adjoining, smaller Letlhakane mine, with a third mine, Jwaneng, located near Kanye in the southwest, 125 kilometres from Gaborone, brought into operation in 1982. Substantial expansion in production over the past five years has led to completion of the Orapa 2000 project, under which mine treatment capacity was doubled. Other growth includes the commissioning of an improved recovery and sorting process (the Aquarium project) at Jwaneng – using innovative technology developed by De Beers and pioneered in Botswana – and the introduction of continuous mining operations at all Debswana’s mines.

In 2002, carat recoveries were:

- Orapa – 14 million
- Jwaneng – 13 million
- Letlhakane – one million. The government expects that reserves and installed capacity will be sufficient to enable diamond recoveries to be maintained at least at prevailing rates throughout the period of the 9th National Development Plan (NDP9) covering 2003/04 to 2008/09. The most recent figure for estimated diamond reserves published by De Beers showed a total resource of 749 million carats as of 2000, of which 221 million carats were in ‘probable’ category. The fourth mine at Damtshaa, near Orapa, began operations in the second half of 2002 and has already exceeded expectations with 292,000 carats produced during its first full year of operation in 2003. Damtshaa was originally forecast to produce five million carats over a 30-yar life but this target may be exceeded, while the mine has also improved the prospects for mining other kimberlites in the vicinity of Orapa that were previously considered to be marginal.

Diamond exploration activities have also increased strongly in recent years. In 2003, BHPB established a standalone associate company, Kalahari Diamonds (KDL), to explore for diamonds using the group’s Falcon airborne gravity technology for detecting kimberlite indicator minerals beneath deep sand cover or the Makgadikgadi salt pans north of Orapa. This technology is revolutionalising diamond prospecting around the world. KDL, in which BHPB has a 20% stake, has been endowed with all BHPB’s exploration licences and exploration data, covering large areas in central and southern Botswana. Another promising development has been the exploration programme undertaken since 2000 by African Diamonds (AD), formed by a group of experienced, Irish-based mining entrepreneurs, based on preceding work by a Botswana-based firm Kukama Exploration. AD currently holds 4,000 square kilometers
under license and its primary targets include undiscovered kimberlites north of Orapa, tracing the so-far undetected alluvial deposits along ancient river channels from Orapa, and a new diamond field in Serowe.

In February 2004, AD formed a joint venture with KDL to use its Falcon technology to explore its license areas, excluding the 21 kimberlites it has already identified. One of these, BK10, in which several diamonds have been discovered, is thought likely to contain some 455,000 recoverable diamonds. The main aim is to identify new pipes on the Orapa and Serowe licenses, which AD believes will save three years using conventional exploration techniques.

Diamond cutting and polishing factories have developed in Botswana since the first Teemane Manufacturing was established in the 1990s by Debswana. It was sold in 2003 to a foreign diamond-mining firm with international marketing expertise viewed at the time as the best way of improving its commercial prospects.

A second is operated by a leading Israeli diamond cutting and polishing company. Profitability has been difficult to achieve, partly because initial training costs are high, and because of strong competition from low-cost cutting centers in China, India, Armenia and elsewhere.

However, the potential for adding-value and increasing employment through downstream diamond activities by new entrants to the diamond sector is considered to be high, provided a commercially-viable business model can be developed. While diamond trading is strictly controlled to reduce smuggling opportunities, it is open to any investor to apply for a diamond cutting or polishing license.

Other Minerals

After depletion of old-established gold workings around Francistown, Botswana is again back on track to become a gold producer with the development of a new mine at Mupane, also in the Francistown area, by Australia’s Gallery Gold. After confirming some 914,000 oz of gold in several deposits. Gallery announced it would proceed with an open-cast operation. Work start on constructing the mine, in which the company is investing US$ 28m. Gallery is also evaluating the potential of additional deposits in its nearby Shashe concession.

After diamonds, the next most valuable produced in Botswana is copper-nickel matte, a high metal content product, and associated small quantities of cobalt, produced by the long-established Selebi Phikwe mine and smelter in the east.
The mine’s profitability fluctuates in line with international metal prices and an accumulated debt burden has inhibited new investment, but the mine has taken on a new lease of life through a partnership with Tati Nickel Mining Company (TNMC), which exploits a nearby copper-nickel deposit and ends its concentrate for toll-smelting at Selebi-Phikwe.

At the end of 2002, Canada’s LionOre Mining International (LionOre) acquired Anglo American’s shareholding in TNMC, thereby becoming the sole private sector shareholder, and also became the largest shareholder in Botswana RST, the holding company for Selebi-Phikwe, through the same transaction (the government is a minority partner in both companies). LionOre completed a US$66m expansion of the Phoenix underground mine in 2002 which at full capacity of 3.6 million tones per day of ore will double TNMC’s payable nickel production to some 12 500 tons, along with copper, and other by-products including small amounts of platinum group metals (PGMs), silver and gold.

Production of soda ash and salt, by the Sua Pan plant near Orapa operated by Botswana Ash (a partnership of Anglo American, De Beers, South Africa’s AECI and the government) focuses mainly for export to the South African market. Demand has increased in the past three years due to operational improvements and greater need by the regional market. Sua Pan covers some 3 500 square kilometers and contains an estimated brine resource of 16 billion cubic metres, one of the largest in Africa.

Botswana has large untapped reserves of semi-bituminous coal but the sole mining operation is the Morupule Colliery in eastern Botswana, over which Debswana assumed control from Anglo American in 2003, which has a capacity to produce some one million tones per year. This coal mainly supplies the Morupule thermal power station operated by the Botswana Power Corporation (BPC), Selebi-Phikwe and Sua Pan mines. The government is pursuing strategies to increase coal usage throughout the economy, including the establishment of a coal washing and coal briquette plant, the promotion of affordable coal burning stoves for household use, and improved distribution facilities. The planned expansion of Morupule power station to increase local electricity generating capacity would increase demand for coal and possibly make development of an additional colliery viable. Although the government has evaluated the potential for developing new coalmines for export purposes, the high cost of transport is a hindrance. Since coal is an important resource in Botswana, and there is potential for gas production through development of coal-bed methane extraction.
Agriculture

Overview

Although agriculture’s share of GDP has been declining and currently accounts for less than 3%, it remains the principal source of livelihood for most of Botswana’s people. Both farming and herding provide an important source of food and supply income, in addition to employment and investment opportunities for the majority of the population in rural areas. The sector is also important as it presents linkages with upstream and downstream industries; it is a supplier of raw materials for agro-based industries such as meat processing, tanning, milling, oil, soap, brewing, furniture manufacturing and suppliers of agricultural inputs.

Only some 5% of Botswana’s land area, mainly in the east and southeast is cultivable and crop production is mainly rain-fed with irrigated farming conducted on only a limited scale. Botswana’s large-scale livestock sub-sector provides the bulk of agricultural output, and the beef export industry is well established. Nevertheless, it is recognized that in the long-term, global market sales – principally to the European Union (EU) and South Africa – will be adversely affected by progressive world trade liberalization. In turn this could reduce prices, making diversification of the livestock sector an urgent priority.

Food crop production, mainly of maize, sorghum, millet and beans, provides less than a fifth of domestic consumption even in non-drought years. Domestic production of staple cereals has met only some 10% of national requirements over the past five years, with the balance met through imports, leaving Botswana as a net importer of good grains. Traditional methods of communal, arable agriculture can do little to alleviate rural poverty and the government recognises that the diversification of livestock and crop production is the most effective means of improving incomes and food security.

Over the next five years, the government aims to facilitate sustainable agricultural diversification by widening the range of products, promoting value-added agricultural resources and improved marketing arrangements. The key areas identified as new cash crops are horticulture, dairy farming, ostrich breeding and processing, pig-rearing, hides and skins, fish farming (aquaculture), veldt products and forestry.

A National Plan for Arable Agriculture and Dairy Development, adopted in 2002, aims to gazette agricultural land to protect it from depletion by non-agricultural uses, the provision of better rural infrastructure and a review of agricultural subsidies. New production training farms for rain-fed
crops, dairy farming and horticulture farming have been commissioned to showcase technology and management practices that can improve farming production and profitability.

There is considerable potential for the development of entrepreneurial fish farming. Presently, fishing is not conducted on a commercial scale and is confined mainly to the Chobe River and the Okavango Delta providing a small supplementary food source for rural households in those areas.

The government will continue to support the agricultural sector through subsidy schemes. To enhance production, sectorial subsidies are to be targeted to those beneficiaries who can use them better, including women. A coordinated approach to improving agricultural infrastructure is being developed, based on expanding road links, power and water supplies and post-harvest facilities. Existing credit facilities, mainly from the National Development Bank (NDB), have been insufficient, leading to the development of specialized credit institutions and the improved provision of agricultural extension services.

**Livestock**

Livestock, especially cattle, is the mainstay of both commercial and subsistence agriculture. As of 2001 the national herd comprised 2.5 million cattle with the same number of sheep and goats. Beef processing accounts for some 80% of agricultural output. The Botswana Meat Commission (BMC) – a cooperative owned by the farmers who sell to it – exports beef cuts to global markets. The BMC abattoirs at Lobatse and Francistown also produce frozen and canned beef, as well as hides all for export.

To expand the opportunities for livestock owners to market their cattle, consideration may be given to liberalizing the sub-sector and ending the BMC’s present export monopoly under a review currently underway. Despite the prevalence of cattle disease, mainly foot and mouth (FMD), of which there were outbreaks in both 2002 and 2003, some 80% of the country is classified as FMD-free and the livestock sub-sector has proved resilient. A comprehensive study to investigate all major factors affecting the livestock sub-sector, including its long-term viability, is scheduled for completion in the second half of 2004, while research has been intensified with two research farms identified for ostrich and poultry rearing.

Over the next five years, the government hopes to attract private sector investment in:

- tanneries countrywide for the export of processed (as opposed to raw) hides and skins
- the establishment of a poultry hatchery, breeder stock and poultry abattoirs
pig feed production and breeder stock. **Crops** The crop sub-sector is dominated by the growing of cereals, principally sorghum. By contrast, the small commercial sector specializes in high-value crops such as vegetables, fruit, sunflower, and cotton. A range of initiatives are being implemented to increase the productivity and expand the range of crops grown. The main priorities include expanding both rain-fed and irrigated farming, commercializing the arable sub-sector in addition to greater mechanization of farming operations and increasing production of cash crops, including sunflower and groundnuts. Horticulture has been identified as having significant potential for diversifying agricultural production, as local output currently accounts for only one-fifth of domestic demand for fruit and vegetables, along with oil seeds and dairy products (most of which are imported). **Water** Botswana’s mainly semi-arid climate and low rate of water resource replenishment mean that water is a scarce resource. With an absence of perennial rivers, except in the north where the Okavango and Chobe rivers flow into the country, surface water resources are low. Additionally, appropriate locations for the construction of dams are limited with groundwater resources providing the bulk of requirements. However, an extensive mass water supply system based on the channeling of water from the north to the south has been developed. The biggest is a recently completed north-south carrier water project, the largest single transfer scheme undertaken to date, under which water from the Letsibogo dam in the north-east is pumped along a 360 kilometre pipeline to augment supplies in the greater Gaborone area and major villages en route. Most small-scale farms are dependent on boreholes, whose limited capacity has inhibited expansion and diversification of agriculture. The government recognises the direct link between water availability and poverty. One of Vision 2016’s main goals is the development of a national water system that ensures that water is affordable and accessible to all, including those living in small and remote settlements. This will also combine measures promoting the efficient use of water to best conserve available supplies.

Botswana is a member of several regional commissions for the joint management of river and water resources, including the Okavango River Basin Commission (OKACOM), the Zambezi River commission (ZRC), the Orange-Senqu River Commission (OSRC) via Botswana’s Molopo-Nossop river system. Additionally, a Limpopo River Commission (LRC) is currently being established.
Services Sector

*International Financial Services Centre (IFSC)*

The Government has introduced legislation to create the fiscal and regulatory environment necessary to make Botswana an attractive location from which services such as insurance, investment advice, broking and trading of securities can be provided to non-residents and in currencies other than the Pula. The IFSC was established with the mandate to promote these services.

*Tourism*

One of the objectives of Botswana’s tourism policy is to obtain, on a sustainable basis, the greatest possible net social and economic benefits for the people of Botswana from their tourism resources, scenic beauty, wildlife and unique ecological, geological and cultural characteristics. The industry tries to protect Botswana’s environment and resources through an overall policy of low volume, high cost tourism. The tourism sector is well-established, and there are opportunities for expansion and development.

*Information Technology*

Botswana has a relatively young but vigorously growing IT industry, with companies offering services including training, database development, software development, networking, website development, call centers and others. The Government is at the forefront of this ‘IT revolution’ and contributes by way of offering computer related training/courses at tertiary education institutions, notably the University of Botswana, Botswana Institute of Administration and Commerce and Botswana Accountancy College.

*International Market Access*

Botswana is a signatory to several international trade agreements, notably:

**The European Union and African, Caribbean and Pacific States (EU/ACP) Partnership Agreement (Cotonou Agreement)**

The Agreement offers duty and quote-free market access of ACP states’ products into the EU. Companies seeking to qualify to export under this agreement must obtain a EUR1 certificate from the Department of Customs, which serves as documentary evidence for originating status.
Botswana and the United States of America – African Growth and Opportunity Act (AGOA) and Generalised System of Preference (GSP)

Some Botswana products enter the USA market free of duty and others at a reduced duty rate through the GSP scheme. AGOA allows some products manufactured in Botswana duty and quote-free access into the US market. Export documentation for non-textile products should be accompanied by Form A. For textile exports, the manufacturer must obtain an AGOA approved Visa Stamp from the Department of Customs to certify that the products were manufactured in Botswana.

Southern African Customs Union (SACU)

Botswana is a member of SACU, together with Lesotho, Namibia, Swaziland and the Republic of South Africa. The five countries share a common external tariff and accord each other duty-free market access. This Agreement is the oldest of its kind, dating back to 1910.

Southern African Development Community (SADC)

SACD is the grouping of 13 countries of the Southern African region – Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. The Community seeks to increase intra-regional trade through the SADC Protocol on Trade, by removal of trade barriers over an eight-year period. Implementation of the SADC Protocol on Trade started in September 2000. With a population of about 200 million, the SADC region provides a good market opportunity for products manufactured in Botswana.

Botswana-Zimbabwe Trade Agreement

The Agreement accords both countries duty-free market access provided that the local contents of the products is at least 25%.

Botswana-Malawi Trade Agreement

This is a bilateral trade agreement under which manufacturers must meet the 25% local content requirement in order to benefit.

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